Supreme Court, U.S.
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No. 99-118

In The

Supreme Court of the United States

ELK CORPORATION OF DALLAS,

Petitioner,

v.

GAF BUILDING MATERIALS CORPORATION, BUILDING MATERIALS CORPORATION OF AMERICA, BUILDING MATERIALS CORPORATION OF AMERICA d/b/a GAF MATERIALS CORPORATION, and GAF MATERIALS CORPORATION,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

The Respondents are GAF Building Materials Corporation, Building Materials Corporation of America, Building Materials Corporation of America d/b/a GAF Materials Corporation, and GAF Materials Corporation (collectively "GAF").

The Petitioner is Elk Corporation of Dallas ("Elk").

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PRELIMINARY STATEMENT

This case is inappropriate for Supreme Court review for several reasons, including the complete failure of Elk to raise before the Federal Circuit the issue it now asks this Court to address. The Federal Circuit applied its "reasonable examiner" standard of materiality[1] to Elk's conduct before the United States Patent and Trademark Office ("PTO"). Following the Federal Circuit's affirmance, Elk filed an extensive Petition for Rehearing, but made no argument that the Federal Circuit's materiality standard was incorrect. Particularly in the complex area of patent law, which Congress has entrusted to the Federal Circuit, this Court should not review an issue not expressly considered below. Certiorari should also be denied because this case involves a peculiar fact situation, unlikely to recur, and because the courts, not the PTO, are the body for establishing the test for materiality in inequitable conduct cases. Finally, because there was overwhelming evidence to support the District Court's judgment and the Federal Circuit's affirmance, even if Elk were correct that the Federal Circuit applied an incorrect materiality standard, the result of the case would not change.

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[1] The test for determining whether information is material to a patent application is whether there is "a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue." *See, e.g., Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 (Fed. Cir. 1995). Prior to March 16, 1992, 37 C.F.R. § 1.56 ("Rule 56") was consistent with the Federal Circuit's "reasonable examiner" standard. *See* 37 C.F.R. § 1.56 (1991).

STATEMENT OF THE CASE

1. *Introduction.* This is a case in which Elk breached its duty of candor, good faith, and honesty to the PTO by failing to disclose three pieces of material prior art during the prosecution of Elk's United States Design Patent No. DES 344,144 ("the '144 Design Patent"), the patent in dispute. The District Court found that the undisclosed prior art was more material to the '144 Design Patent than any art disclosed by Elk to the PTO and should have been disclosed. The District Court further found that Elk made deceptive arguments to the PTO and that, because Elk's conduct was intentional, Elk had engaged in inequitable conduct, rendering the '144 Design Patent unenforceable. The Federal Circuit unanimously affirmed the District Court's judgment that the '144 Design Patent was unenforceable due to Elk's inequitable conduct.

2. *The Alleged Invention.* Both Elk and GAF manufacture laminated roofing shingles. In 1975, GAF obtained the seminal patent in the area, the Bettoli Patent,[2] which discloses several designs for laminated roofing shingles. GAF licensed the Bettoli Patent to Elk, and Elk manufactured and sold laminated shingles produced under that license in competition with GAF. (A04305-09; A00600).

In 1988, Elk undertook a project to improve its Bettoli-type laminated shingles by adding color to the backer sheet portion of the shingle to enhance the appearance of depth. (A00542-43; A00545). Eventually Elk settled on a design featuring three color striations, darkest at the top

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[2] U.S. Patent No. 3,921,358.

to lightest at the bottom, on the backer sheet of a Bettoli-type shingle. It was this design that was the invention claimed in Elk's '144 Design Patent.

3. *The Prior Art.* In May 1991, Paul Weaver, an Elk employee and one of the inventors, asked a patent search firm to conduct prior art searches on two shingle products Elk planned to introduce, one of which was the design reflected in the '144 Design Patent. In his letter to the search firm, Weaver advised the firm of his knowledge of the Bettoli Patent. (A04387)

The results of the patent search concerning the shingle at issue disclosed eight patents, all relating to roof shingles. (A04391-92). The first reference discussed in the report from the search firm was the Giles Patent,[3] which showed three color striations, from dark at the top to medium in the middle and light at the bottom on a strip, rather than a laminated, shingle.[4] (A04391-92; 2713-16).

When Weaver subsequently forwarded the result of the patent search to Matti Kiik, another Elk employee and co-inventor, Weaver highlighted the pertinence of the Giles Patent ("the Weaver Memo") (Appendix 1):

> *Of special interest* was the Giles patent (1936) which disclosed the use of a highlighted 'leading edge' to create an illusion of depth . . . (A04393) (emphasis added).

Thus, it is undisputed that the inventors were aware of the Giles Patent and recognized its materiality long

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[3] U.S. Patent No. 2,036,329.

[4] A strip shingle is a single-ply, non-laminated roofing shingle.

before the application for the '144 Design Patent was filed.

During this time, Elk was also aware of a competitive roofing shingle, the GS High Sierra shingle, which is manufactured and distributed from a plant located across the street from Elk's plant in Ennis, Texas. The GS High Sierra shingle is a Bettoli-type laminated shingle, identical to Elk's design, except it has two color striations instead of three.

4. *Proceedings Before The PTO.* Elk filed its application for the '144 Design Patent in September 1991, *long before* the March 16, 1992 amendment to Rule 56. When Elk filed its design patent application, it disclosed some prior art references, but Elk did not disclose to the PTO (i) the Bettoli Patent, which was the starting point for Elk's "invention" and which showed a laminated shingle configuration identical to Elk's, (ii) the Giles Patent, which showed coloration identical to that claimed by Elk, or (iii) the GS High Sierra shingle, which utilizes two, rather than three, color striations on the backer sheet of a laminated shingle. (Trial Exibit PX2).

The PTO initially rejected the '144 Design Patent as obvious based on a combination of two patents, the Morgan Patent and the Sadler III Patent. (A02082-83). To overcome this rejection, Elk argued that its design had features different from Morgan. However, the very features Elk relied upon to distinguish its design from Morgan were features shown by Bettoli, a fact that Elk knew and failed to disclose. (A00025). By its arguments and suppression of Bettoli, Elk successfully overcame the

PTO's rejection and, on February 8, 1994, its '144 Design Patent issued. (A0246-49).

The materiality of the Bettoli and Giles Patents is underscored by events occurring during the prosecution of a related patent. On February 1, 1994, just days before the '144 Design Patent issued, Elk filed a continuation-in-part application for a utility patent covering the same laminated shingle claimed in the '144 Design Patent. In the new patent application, Elk disclosed the existence of the Bettoli and Giles Patents. The PTO rejected Elk's utility application, first on the basis of Giles alone and then on the basis of Bettoli in combination with Giles.[5] The PTO's rejection of the utility patent application based on Giles and Bettoli is compelling evidence that a reasonable patent examiner would have considered the Bettoli and Giles Patents important in deciding whether to allow the '144 Design Patent.[6]

5. *The District Court Decision.* On October 10, 1997, after more than three years of pretrial proceedings, eight days of trial, testimony from twelve live witnesses and

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[5] Elk was eventually able to overcome the PTO's rejections and the application issued as U.S. Patent No. 5,369,929. The utility patent application was evaluated by different patent examiners from those who considered the application for the '144 Design Patent. (Trial Exhibits PX1 and PX82).

[6] The fact that a patent application is eventually allowed over the withheld prior art does not render the prior art immaterial. *Molins PLC v. Textron, Inc.*, 48 F.3d at 1179; *see also Merck & Co. v. Danbury Pharm., Inc.*, 873 F.2d 1418, 1420-21 (Fed. Cir. 1989); *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1397-98 (Fed. Cir. 1986). Of course, the PTO was never given the opportunity to consider the Bettoli and Giles Patents in connection with the '144 Design Patent application.

another dozen witnesses through deposition transcripts, and consideration of the lengthy record, which included more than 200 exhibits, the District Court ruled that Elk had engaged in inequitable conduct by failing to disclose the Bettoli Patent, the Giles Patent and the GS High Sierra shingle to the PTO and by making deceptive arguments to overcome the PTO's initial rejection of the application – arguments that could not have been made had Elk discharged its duty of candor to the PTO. (Elk Appendix B).

After outlining the "materiality" standard in the current version of 37 C.F.R. § 1.56 ("Amended Rule 56"), the District Court determined the materiality of each of the references Elk had concealed, under that standard.[7] Addressing Bettoli first, the court held that Bettoli is material prior art that Elk should have disclosed:

> In this case, since Elk claimed the novel feature of color striations on the backer sheet of a Bettoli laminated shingle, Bettoli is material prior art. Additionally, the fact that the examiner initially rejected [Elk's] . . . application, in part, on the basis of Morgan . . . suggests that the examiner believed that laminated shingles were material prior art. Thus, the examiner's rejection of the application on the basis of Morgan, a laminated shingle, is of strong probative value in determining the materiality of Bettoli.

(Elk Appendix B, pp. 22-23). The court held that Giles is also material prior art that Elk should have disclosed:

> Giles teaches horizontal zones, or striations, of colors on shingles to create an appearance of

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[7] In 1992, the PTO amended 37 C.F.R. § 1.56 to its current form, Amended Rule 56. *See* 37 C.F.R. § 1.56 (1998).

> depth. The examiner initially rejected [Elk's] . . . application, in part, on the basis of Sadler III because Sadler 'shows horizontal strips spaced evenly, midway the face of the shingle to be old in the prior art.' . . . This office action by the PTO placed Elk on notice that the PTO considered prior art showing horizontal coloration material to the claimed invention. Certainly, Giles is closer prior art with respect to horizontal coloration on shingles than is Sadler.

(Elk Appendix B, pp. 26-27). The District Court also noted that from the PTO's initial rejection of Elk's utility patent application, the PTO plainly considered Bettoli and Giles to be material to the claimed invention. (Elk Appendix B, p. 32). The District Court further held that GS High Sierra was material because it was a laminated shingle that used a band of color at the backer sheet to create an appearance of depth in the same manner utilized in Elk's '144 Design Patent. (Elk Appendix B, p. 28).

The District Court rejected Elk's arguments that it had disclosed Bettoli, as well as its after-the-fact arguments disputing the materiality of the concealed prior art references. (Elk Appendix B, pp. 23-24). The District Court rejected Elk's contention that it did not believe Giles, Bettoli, or GS High Sierra were material:

> In light of the evidence, Elk's argument that it considered Giles, Bettoli, and High Sierra not material or cumulative of Noone and Ritter is neither credible nor able to withstand objective scrutiny.

(Elk Appendix B, p. 33).

The District Court noted the overwhelming evidence of Elk's intent to deceive the PTO, including the clear

materiality of the withheld references, the inability of Elk to explain its failure to cite the withheld references, the rejection by the PTO of the '144 Design Patent application based on art clearly inferior to the references that Elk withheld, the inventors' internal recognition and emphasis of the Giles Patent, and the failure of Elk's attorney to follow his usual practice of citing to the PTO all art disclosed in a patent search. (Elk Appendix B, p. 33). The District Court found that Elk did not live up to its duty to act with candor:

> Because the reasons given by Elk for not disclosing material prior art are not credible nor objectively reasonable the court cannot but draw the reference that the failure to disclose was done with the intent to deceive or certainly with such recklessness that an inference of intent to deceive is warranted.

(Elk Appendix B, p. 33).

Finally, the District Court found that Elk engaged in inequitable conduct in making arguments to the PTO to overcome the initial rejection of the design patent application:

> The arguments made by Elk to distinguish Morgan and Sadler III could not have been made had Elk disclosed Bettoli, Giles and the GS High Sierra [shingle].[8]

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[8] This finding by the District Court is itself sufficient to establish materiality of Bettoli, Giles and the GS High Sierra shingle under Amended Rule 56. *See* Section 4 B *infra*.

(Elk Appendix B, p. 34). Thus, the District Court concluded that Elk had engaged in inequitable conduct rendering the '144 Design Patent unenforceable. (Elk Appendix B, p. 42).

6. *The Federal Circuit Decision.* In affirming the judgment of the District Court, the Federal Circuit focused on what it characterized as the most "pertinent" allegations of misconduct – Elk's failure to disclose the Bettoli and Giles Patents. (Elk Appendix A).[9] Applying its longstanding "reasonable examiner" standard for materiality, the Federal Circuit agreed that both were material to the '144 Design Patent. The Federal Circuit rejected Elk's contention that Bettoli and Giles were cumulative because there were important differences between each and the art disclosed to the PTO in connection with the '144 Design Patent. (Elk Appendix A, p. 9).

The Federal Circuit also noted the following additional evidence of the "high level of materiality of the Bettoli Patent": the invention claimed in the '144 Design Patent was an improved Bettoli-type shingle, the inventors knew the design was very similar to the Bettoli Patent, and the testimony indicated that Elk's patent attorney also knew of its materiality. (Elk Appendix A, p. 11). With respect to Giles, the Federal Circuit found support for the District Court's judgment in the fact that the search report listed and discussed the Giles Patent and inventor Weaver's memo "contained his admission that the Giles Patent was important." *Id.* Thus, the Federal

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[9] The Federal Circuit's decision is also reported at *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28 (Fed. Cir. 1999).

Circuit concluded that the materiality of the withheld references was amply supported by the record and affirmed, finding that the District Court did not abuse its discretion in determining that Elk and its attorneys had committed inequitable conduct rendering the '144 Design Patent unenforceable. (Elk Appendix A, p. 12).

7. *Elk's Petition For Rehearing And Motion For Stay Of Mandate.* In its Petition for Rehearing and Suggestion for Rehearing In Banc (Appendix 2), Elk argued that the Federal Circuit misunderstood its invention and overlooked evidence of its good faith.[10] Elk did not contend that the Federal Circuit applied an incorrect materiality standard, either in its Petition for Rehearing or in its Reply Brief in Support thereof. (Appendix 3). Likewise, in its Motion for Stay of Mandate (Appendix 4), Elk made no mention of its intention to advance such an argument in its Petition for Certiorari. Instead, Elk advised the Federal Circuit that it intended to petition on the same grounds set forth in its Petition for Rehearing, *i.e.*, that (i) Elk had been denied due process because the Federal Circuit did not understand Elk's claimed invention, and (ii) the Federal Circuit's Opinion would require patent

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[10] The issues "of exceptional importance" identified by Elk in its Petition for Rehearing were (i) "May a panel of this Court, which has not construed the claim of the patent in suit, hold that material art has been inequitably withheld from the United States Patent and Trademark Office?" and (ii) "Must a panel of this Court, which deems uncited art to have 'a high level of materiality', weigh all the evidence, including evidence of good faith, when determining whether intent to deceive has been proved by clear and convincing evidence?" (Appendix 2, pp. 8-9).

applicants to disclose all known prior art "because corroborating evidence of good faith will not be weighed by the Court." (Appendix 4, p. 46).

REASONS FOR DENYING THE WRIT

1. The Petition Should Be Denied Because The Issue Raised Was Not "Pressed Or Passed On Below."

Absent exceptional circumstances, the Supreme Court will not consider issues not pressed or passed upon in the courts below. *Heckler v. Campbell*, 461 U.S. 458, 468-69 n.12, 103 S.Ct. 1952, 1958-59, 76 L.Ed.2d 66 (1983); *Tacon v. Arizona*, 410 U.S. 351, 352, 93 S.Ct. 998, 999, 35 L.Ed.2d 346 (1973) ("We cannot decide issues raised for the first time here."); *McGoldrick v. Compagnie Generale Transatlantique*, 309 U.S. 430, 433-34, 60 S.Ct. 672, 84 L.Ed. 849 (1940). The issue raised by Elk's Petition was never presented to the Federal Circuit, and there are no exceptional circumstances that should cause the Supreme Court to deviate from its settled practice in this case.

A review of the proceedings below shows that the issue now framed by Elk – whether Amended Rule 56 of the PTO controls the Federal Circuit in inequitable conduct cases – was neither argued nor decided below. The most telling evidence that the issue Elk now asks this Court to review is an afterthought, manufactured by Elk solely in an effort to obtain Supreme Court review, is the fact that the argument was not raised either in Elk's Petition for Rehearing and Suggestion for Rehearing In Banc (Appendix 2) or in its Motion for Stay of Mandate

(Appendix 4). Elk's complete failure to raise this issue below is further evidenced by the fact that almost none of the authorities cited in its Petition were cited by Elk in the proceedings before the Federal Circuit.[11] Significantly, neither the pre-1992 version of Rule 56 nor the Amended Rule 56 was cited to the Federal Circuit in either Elk's Petition for Rehearing, Elk's Reply in Support of its Petition for Rehearing, or Elk's Motion for Stay of Mandate. (See Appendix 2, 3 and 4). Thus, Elk never advised the Federal Circuit of the claimed error or otherwise gave it the opportunity to address the issue Elk now contends is so critical to the patent bar.[12]

Elk's complete failure to raise this issue below stands in stark contrast to the principal case Elk relies upon, *Dickinson v. Zurko*, 67 U.S.L.W. 3683, 119 S.Ct. 1816 (1999), where the issue presented had been the subject of debate since 1946 and the "Federal Circuit, hoping definitely to resolve the . . . controversy, . . . heard the matter en banc." 119 S.Ct. at 1819. Instead, this case involves "the routine restatement and application of settled law by an appellate court," which this Court has previously found insufficient to satisfy the "pressed or passed upon below" rule.

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[11] In its Petition for Certiorari, Elk cites fifty-seven cases, only five of which were cited to the Federal Circuit, all on unrelated issues.

[12] GAF reminded the Federal Circuit that the application for the '144 Design Patent was filed under the pre-1992 version of Rule 56 and was issued after Rule 56 had been amended by the PTO. Elk never addressed this issue before the Federal Circuit and certainly never argued that it was not subject to the pre-1992 Rule 56 "reasonable examiner" standard of materiality in this case.

See, e.g., Illinois v. Gates, 462 U.S. 213, 221-23, 103 S.Ct. 2317, 2323-25, 76 L.Ed.2d 527 (1983); *Morrison v. Watson*, 154 U.S. 111, 14 S.Ct. 995, 38 L.Ed. 927 (1894). When the lower court's application of a decisional rule is merely a routine act, and there has been no "adversarial dispute" that would have enabled the lower court to reach a reasoned decision as to whether the rule should be changed, the Court has consistently refused to consider the newly-raised issue. *See id.* Here, the Federal Circuit routinely applied the materiality standard it has applied in inequitable conduct cases for years without "any real contest upon the point." To consider the issue in this context would deprive the Federal Circuit the opportunity to give its "considered judgment" to the issue before it is addressed by this Court.

No exceptional circumstances exist here to warrant departure from this Court's prudential rule precluding review of matters neither pressed nor passed on below. Indeed, patent cases logically call for an especially rigorous application of the rule. Congress created the Federal Circuit for the specific purpose of promoting greater uniformity in patent law development and application. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982), S. REP. NO. 97-275, 97th CONG., 1st SESS. 5, *reprinted in* 1982 U.S.C.C.A.N. 11, 15; *see also Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390, 116 S.Ct. 1384, 1396, 134 L.Ed.2d 577 (1996) (Congress created Federal Circuit in order to obtain uniformity in the area of patent law); *Panduit Corp. v. All States Plastic Mfg.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984). Accordingly, the Federal Circuit relieves the Supreme Court of the burden of adjudicating fact specific cases like this one.

S. REP. NO. 97-275, at pg. 3. Prudential considerations dictate that this Court's jurisdiction be sparingly exercised, particularly where the Federal Circuit has not first been given an opportunity to speak to the issue. Because the issue now urged upon this Court was not even raised before the Federal Circuit – the court to which Congress assigned threshold responsibility for the field – this is not an issue that this Court should consider.

2. PTO Rule 56 Is Merely An Agency Guideline Designed To Help Inventors Comply With The Judicial Doctrine Of Inequitable Conduct (Including The Duty Of Candor And Good Faith To The PTO), And The Federal Courts Are Not Bound By The PTO's Interpretation Of That Judicial Doctrine.

A. *Introduction.* Because none of the explicit grounds in Supreme Court Rule 10 are applicable, Elk has attempted to manufacture a conflict between the Federal Circuit and the PTO to obtain review. Elk's reliance on *Dickinson v. Zurko, supra,* in that effort is misplaced. *Zurko* involved the Federal Circuit's review of an administrative decision of the PTO, while this case involves the Federal Circuit's review of a district court's exercise of its equitable powers through application of a judicial doctrine. By pointing to *Zurko,* Elk seeks to confuse the two circumstances and create the illusion of a "conflict" between the Federal Circuit and the PTO. *Zurko* is not germane.

The fatal flaw in Elk's effort to create a conflict between the PTO and the Federal Circuit is that a patent applicant's duty of candor and good faith to the PTO (the

basis for Rule 56 and its definition of "material" information) derives from a judicial doctrine announced by this Court. Rule 56 is not a binding agency implementation of a statute; it is the PTO's interpretation of one aspect of the judicially-created doctrine of "inequitable conduct."[13]

B. *The Defense Of Inequitable Conduct Is A Judicial Doctrine.* The defense of "inequitable conduct" in patent cases is a judicial doctrine rooted in this Court's decision in *Precision Instrument Mfg. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 818, 65 S.Ct. 993, 999, 89 L.Ed. 1381 (1945). In *Precision*, the Court was confronted with a patent infringement case where the underlying patent had been procured through perjury and fraudulent concealment. Applying the equitable doctrine of "unclean hands," the Court declined to exercise its equitable powers to enforce a patent that had been obtained by inequitable conduct. *Id.* at 814-18. In doing so, the Court announced that a patent applicant owes a duty of candor, good faith, and honesty to the PTO, and a breach of that duty constitutes inequitable conduct rendering the patent unenforceable. *Id.* at 818.

The *Precision* Court also stated that the equitable maxim, "he who comes into equity must come with clean hands," necessarily gives a "wide range to the equity court's use of discretion in refusing to aid the unclean litigant. It is 'not bound by formula or restrained by any limitation that tends to trammel the free and just exercise

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[13] The Patent Act of 1952 does not contain the words "fraud," "inequitable conduct," or "materiality." *See* 35 U.S.C. § 1 *et seq.*

of discretion.' " *Id.* at 814-15 (quoting *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 246, 54 S.Ct. 146, 148, 78 L.Ed. 293 (1933)). With that foundation laid, the Court then held that

> Those who have applications pending with the PTO or who are parties to PTO proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the PTO, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the PTO and the public escape from being class among the 'mute and helpless victims of deception and fraud.'

Id. at 818 (citing *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 247, 64 S.Ct. 997, 1001, 88 L.Ed. 1250 (1944) (lower court judgments of infringement were set aside because they were based upon a fraudulently procured patent)); *see also Keystone Driller*, 290 U.S. at 243-45, 54 S.Ct. at 147-48, 78 L.Ed. 293 (patent held unenforceable under doctrine of unclean hands where patentee concealed knowledge of invalidating prior use of patent invention).[14]

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[14] In a more recent decision, pointing to the equitable doctrine of unclean hands, the Court held that a patentee's

Whether an applicant has violated the duty of candor, good faith, and honesty to the PTO, and whether such a violation constitutes inequitable conduct sufficient to render a patent unenforceable, is a decision committed to the discretion of the courts and is by necessity a fact-based inquiry. The Court's ruling in *Precision* has been echoed by the lower courts, and the doctrine of inequitable conduct has developed, on a case-by-case basis, into its current formulation. *See generally* 6 Donald S. Chisum, *Chisum on Patents* § 19.03 (1999) (discussing the judicial development of the doctrine of inequitable conduct in patent cases). It is this judicially developed standard that the Federal Circuit applied below to review the district court's ruling that Elk had committed inequitable conduct. (Elk Appendix A, pp. 7-9).

C. *PTO Rule 56 Does Not Bind The Federal Courts.* Over the years, the PTO has attempted to fashion rules as guidelines to patent applicants about what the PTO believes to be the standards by which the federal courts determine whether an applicant has violated the duty of candor and good faith. Significantly, however, the rules adopted by the PTO regarding an applicant's duty of candor and good faith are based upon the judicially developed doctrine of inequitable conduct, not a federal statute.

Indeed, in its rulemaking efforts, the PTO has repeatedly made clear that Rule 56 is the PTO's interpretation of

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enforcement of a patent that had been obtained by fraud on the PTO may violate the antitrust laws. *See Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 175-77, 86 S.Ct. 347, 349-50, 15 L.Ed.2d 247 (1965).

the *case law* regarding the judicial doctrine of inequitable conduct. For example, in 1977, the PTO amended the language of Rule 56 to expressly identify an applicant's duty of candor and good faith to the PTO. 37 C.F.R. § 1.56(a) (1991). The PTO stated that the rule "codifies the existing Office policy on fraud and inequitable conduct, which is believed to be consistent with the prevailing case law in the federal courts." 42 Fed. Reg. 5588, 5589 (1977). The amendment of Rule 56 in 1977 was intended by the PTO to help patent applicants understand their obligations under "the judicially developed doctrines concerning fraud." *Id.*

The PTO further amended Rule 56 in 1992 in an attempt to "provide greater clarity" (in the PTO's view) to an applicant's duty to disclose material information to the PTO. *See* 37 C.F.R. § 1.56 (1998). In doing so, the PTO emphasized that the applicant's duty of candor and good faith is broader than the duty to disclose material information, as defined by the PTO. *See* 57 Fed. Reg. 2021, 2022 (1992); MANUAL OF PATENT EXAMINING PROCEDURE (hereinafter "MPEP") § 2001.04 (7th ed., July 1998). (Appendix 5, p. 53). The PTO also stated that Rule 56 does "not define fraud or inequitable conduct which have elements both of materiality and of intent." 57 Fed. Reg. at 2024.

Not surprisingly, in fashioning its rules regarding an applicant's duty of candor and good faith, the PTO has made it clear that the ultimate determination of whether a party has violated its duty of candor and good faith to the PTO lies with the courts, not with the PTO:

> [I]t is the courts and not the Office that are in the best position to fashion an equitable remedy

> to fit the precise facts in those cases where inequitable conduct is established. Furthermore, inequitable conduct is not set by statute as a criteria for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative agency. . . . Office determinations [of inequitable conduct] generally will not deter subsequent litigation of the same issue in the courts on appeal or in separate litigation.

See MPEP § 2010. (Appendix 5, p. 58). Thus, the PTO recognizes that Rule 56 is not premised on a statute and is not binding upon the courts.[15]

Elk ignores the critical fact that Rule 56 is *not* an agency interpretation of a federal statute. Rather, as the PTO has recognized in its rulemaking process, Rule 56 is simply an attempt to provide guidelines to inventors to help them avoid the judicial doctrine of inequitable conduct developed by the federal courts. *See* MPEP § 2010 (Appendix 5, pp. 57-59). Elk's assertion that the PTO's

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[15] Even the Commissioner of Patents at the time Rule 56 was amended in 1992 recognized that the rule is not binding upon the courts. *See* Harry F. Manbeck, Jr., *The Evolution and Issue of New Rule 56*, 20 AIPLA Q.J. 136, 143 (1992) ("Only time will tell what the courts will do with the rule – whether they will follow it or not in considering questions of unenforceability. But in any case, we tried and if real problems remain, perhaps some future Commissioner will be able to guide the PTO in correcting them."); *see also* Robert L. Baechtold, *I'm Just Wild About Harry*, 20 AIPLA Q.J. 185, 190 (1992) ("The PTO certainly has the power to set and change its procedures . . . but, if old Rule 56 correctly reflects the substantive law on materiality established by caselaw, the Commission cannot modify it by rule-making.")

interpretation of a judicial doctrine is binding upon the courts is simply incorrect. *See, e.g., United States v. Morton*, 467 U.S. 822, 834, 104 S.Ct. 2769, 2776, 81 L.Ed.2d 680 (1984) (regulations are given controlling weight where Congress explicitly delegated authority to construe a *specific statute* by regulation). Accordingly, there is no conflict between the PTO and Federal Circuit to be resolved by the Supreme Court.

3. The Federal Circuit Correctly Applied The Old Rule 56, Which Was In Effect When Elk's Patent Application Was Filed.

Even assuming, *arguendo*, that the 1992 amendment of Rule 56 changed the standard of "material" information for an applicant's duty of disclosure, the pre-1992 standard would apply in this case. Elk filed its patent application and made its prior art disclosure on September 16, 1991, long before the effective date of the rule change, March 16, 1992.[16] (Trial Exhibit PX2). Thus, Elk's wrongful conduct occurred at a time when the PTO's "pre-1992" materiality standard was in effect. *Molins PLC v. Textron, Inc.*, 48 F.3d at 1179 n.8 (Fed. Cir. 1995).

As a result, this case presents a unique fact situation where the Rules of the PTO were amended during the prosecution of the patent in suit. Even if an issue exists concerning the force and effect of the Amended Rule 56, the appropriate case in which to consider that issue is one where the patent in suit was filed and prosecuted entirely after March 16, 1992, the effective date of the amendment.

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[16] *See* 57 Fed. Reg. 2021.

A hybrid case such as this, involving conduct both before and after the amendment to Rule 56, does not squarely present the issue to the Court and, therefore, provides no guidance to future litigants, but deals with a limited fact situation of interest only to the current litigants.

4. The Result In This Case Would Not Change Because Elk's Conduct Contravenes Both Versions Of Rule 56.

A. *Introduction.* Elk contends that the result in this case would change if Amended Rule 56 were applied, arguing that Bettoli, viewed in a vacuum, does not create a "prima facie case of unpatentability" (Petition p. 23). In advancing this argument, Elk fails to appreciate that the District Court, whose judgment was affirmed by the Federal Circuit, applied Amended Rule 56 in finding the withheld art material, and Elk fails to consider (i) the entirety of Amended Rule 56, (ii) the other art Elk failed to disclose to the PTO, and (iii) that, to overcome the PTO's initial rejection, Elk made arguments that could not have been made had Elk disclosed all material prior art. The fact-intensive determinations of the District Court were correct.[17] That this was a fact-intensive appeal governed by an abuse of discretion standard, where the District Court was affirmed by a unanimous Court of

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[17] Elk almost completely ignores all of these findings, except the finding that Bettoli was material prior art. There is no discussion in the Petition regarding Elk's deceptive arguments to overcome the initial rejection by the PTO, no mention of the GS High Sierra shingle, and only passing reference to the Giles Patent.

Appeals, makes this a particularly inappropriate case for Supreme Court review. *United States v. Johnston*, 268 U.S. 220, 227, 45 S.Ct. 496, 497, 69 L.Ed. 925 (1925) ("We do not grant certiorari to review evidence and discuss specific facts"); *Graver Tank & Mfg. v. Linde Air Prod. Co.*, 336 U.S. 271, 275, 69 S.Ct. 535, 538, 93 L.Ed. 672 (1949) (Supreme Court "cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional show of error."). Moreover, Amended Rule 56 – even if applicable in this case – makes no significant change in the standard of materiality to be applied but, instead, was intended to clarify the standard. Certainly on the facts of this case, the result would not change using any materiality test because the art withheld by Elk was not marginally material, but was "highly material" in the view of both the District Court – which explicitly relied upon Amended Rule 56 – and the unanimous Federal Circuit.

B. *Bettoli And Elk's Deceptive Arguments.* As the Federal Circuit recognized, the record contains overwhelming evidence of the "high level of materiality" of Bettoli and the inventor's own appreciation of that materiality. It is undisputed that Bettoli was the starting point for the invention Elk claimed in the '144 Design Patent, and the claimed invention is identical to Bettoli except for the addition of color striations to the backer sheet. (A04272-81). This is significant both as a matter of common sense and because the Federal Circuit has previously found withheld art to be material where it was the basis, or starting point, for the claimed invention. *See, e.g., Baxter Int'l v. McGaw, Inc.*, 149 F.3d 1321, 1329 (Fed. Cir. 1998).

That Bettoli is material, particularly under Amended Rule 56, is shown by the events occurring during the prosecution of the '144 Design Patent. The District Court's factual finding that Elk made arguments in overcoming the PTO's rejection during the '144 Design Patent prosecution, which could not have been made had Bettoli and Giles been disclosed (Elk Appendix B, p. 34), is significant for two reasons. First, this deceptive conduct was an independent basis for the District Court's finding of inequitable conduct that is not addressed in any way by Elk's Petition. Second, this type of deceptive conduct falls squarely within the second part of Amended Rule 56, which provides that information is material if "it refutes, or is inconsistent with, a position the applicant takes in (i) opposing an argument of unpatentability relied on by the Office, or (ii) asserting an argument of patentability." 37 C.F.R. § 1.56(b)(2). The configuration of Elk's design and the Bettoli Patent were identical and, therefore, had Bettoli been disclosed, Elk could not have made the arguments it advanced to overcome the PTO's rejection. Thus, Bettoli "refutes, or is inconsistent with, a position [Elk] took in opposing an argument of unpatentability relied on by the Office."

The materiality of Bettoli was also confirmed during the prosecution of Elk's related utility patent application, which Elk acknowledged covered the same design claimed in the '144 Design Patent. (A00849-50). The PTO's reliance on Bettoli in conjunction with Giles as the basis for a rejection of the utility patent application establishes that Bettoli meets the first test of materiality under Amended Rule 56, *i.e.*, Bettoli "establishes by itself or in conjunction with other information [*i.e.*, Giles], a prima

facie case of unpatentability." *See also J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1564 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985) (holding that art was material where it was the basis of rejection in a subsequent proceeding regarding same invention). Thus, under the explicit provisions of Amended Rule 56, the materiality of Bettoli and the impropriety of Elk's arguments to the PTO is plain.

C. *Giles.* There is equally compelling evidence that the District Court's determination and the Federal Circuit's explicit recognition that Giles was material prior art is factually correct under any conceivable standard for materiality. In its Petition, Elk's discussion of Giles is limited to a conclusory statement in a footnote, without any explanation.

The most damning evidence of Giles' materiality is that the inventors themselves considered it material, as evidenced by the memo inventor Weaver wrote to inventor Kiik noting that Giles was "of special interest" because it used coloration from dark to light "to create an illusion of depth." (Appendix 1). Because this was precisely the effect Elk was seeking to accomplish, the PTO initially rejected the utility patent application on the ground that Giles alone – not in combination with any other prior art – rendered the patent obvious.

The materiality of Giles is also demonstrated by the PTO's subsequent rejection of the utility patent application as obvious in view of Bettoli in conjunction with Giles, and by a visual combination of Bettoli and Giles.

When the dragon teeth from a Bettoli shingle are overlayed onto the drawings from the Giles Patent, the result is nearly identical to the drawings in the '144 Design Patent. (Appendix 6). This drawing, as well as the PTO's rejection of the utility patent application, first on the basis of Giles and then on the basis of Bettoli in combination with Giles, confirms that Giles is material under Amended Rule 56 or any other test for materiality.

D. *GS High Sierra.* The last piece of prior art that was a basis of the District Court's finding of inequitable conduct, the GS High Sierra shingle, receives no mention from Elk in its Petition. Perhaps this is because it is the single piece of prior art that combined a laminated shingle and the color striations utilized by Elk.

Unlike any of the prior art disclosed by Elk to the PTO, the GS High Sierra shingle is a laminated shingle with a color contrast on the backer sheet, consisting of a dark striation at the upper portion of the exposed part of the backer strip, and a lighter shade of the same color on the remaining portion of the backer strip. (A07696-7). At trial, inventor Weaver admitted that if a light color striation were added at the bottom of the exposed portion of the GS High Sierra backer sheet, the result would be the very design claimed by Elk. (A00709).

E. *Conclusion.* Contrary to Elk's assertions, the prior art withheld by Elk was material by any standard. Thus, the application of Amended Rule 56 to this case would not change its result, and there is no need to expend the Supreme Court's resources on the fact intensive issues in the case.

CONCLUSION

For the foregoing reasons, Elk's Petition for Certiorari should be denied.

Respectfully submitted,

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Counsel for Respondents

August 16, 1999

APPENDIX 1

MEMORANDUM

cc: Bob Pine

TO: Mike Kiik

FROM: Paul Weaver

DATE: July 23, 1991

SUBJECT: Striation (High Definition) Patentability Search

Enclosed please find the results of our initial patentability search for our H.D. product. As noted in Fred Bergert's cover letter, no patent was found that utilizes a granule application that attempts to create the illusion of depth using three bands of differing contrast or value.

Of special interest was the Giles patent (1936) which disclosed the use of a highlighted "leading edge" to create an illusion of depth and a CertainTeed patent (1990) which attempts the same. Using an intermittent shadow line placed high in the exposure.

Also enclosed is the correspondence between C-T and the patent office regarding their design patent. This was added at my request because this patent has not expired.

I have not pursued an opinion from our attorney on the patentability of our H.D. product, but it is my feeling that we should strongly consider applying for a patent. After all, if C-T can get a patent for a shingle that looks like a combination of a previously patented laminated shingle and a "used by almost everybody" shadow line, anything is possible.

If you wish me to proceed with a patent application let me know.

PW:sl

encl.

Confidential Attorneys Eyes Only PRIV-001-0756

EXHIBIT 89

APPENDIX 2

CONFIDENTIAL

PETITION BY APPELLANT FOR REHEARING AND SUGGESTION FOR REHEARING *IN BANC*

In The
United States Court of Appeals
For the Federal Circuit

Appeal No. 98-1369

Elk Corporation of Dallas,
Plaintiff-Appellant,

-v.-

GAF Building Materials Corporation,
Building Materials Corporation of America,
Building Materials Corporation of America d/b/a
GAF Materials Corporation, and
GAF Materials Corporation,
Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS IN 94-CV-249, JUDGE JORGE A. SOLIS

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Dated: February 25, 1999

CERTIFICATE OF INTEREST

Pursuant to Rule 47.4 of the Rules of Practice before the United States Court of Appeals for the Federal Circuit, counsel for Plaintiff-Appellant Elk Corporation of Dallas hereby affirms the following:

1. Elk Corporation of Dallas is the full name of the sole Plaintiff-Appellant.

2. Elk Corporation of Dallas is the real party in interest in this Appeal.

3. Elk Corporation of Dallas is a wholly-owned subsidiary of Elcor Corporation. Elcor Corporation has issued shares to the public, and is the only parent, subsidiary or affiliate of Elk Corporation of Dallas to have done so.

4. The names of all law firms and the partners and associates that appeared for Elk Corporation of Dallas in the trial court or are expected to appear in this court are:

a. Larry D. Carlson, Peter A. Moir and David G. Wille of Baker & Botts, L.L.P.; and

b. Arthur S. Tenser, Robert Neuner, John D. Murnane, and Neil P. Sirota, of Brumbaugh,

Graves, Donohue & Raymond. Brumbaugh, Graves merged with Baker & Botts, L.L.P. in November, 1997.

Dated: February 24, 1999

Respectfully submitted,

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REQUIRED STATEMENTS FOR REHEARING IN BANC

Based on my reasoned and studied professional judgment, I believe the panel decision is contrary to the following precedents of this Court:

Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113 (Fed. Cir. 1998);

Unidynamics Corp. v. Automatic Prods Int'l., 157 F.3d 1311, 48 U.S.P.Q.2d (BNA) 1099 (Fed. Cir. 1998);

Akron Polymer Container Corp. v. Exxel Container Inc., 148 F.3d 1380, 47 U.S.P.Q.2d (BNA) 153 (Fed. Cir. 1998);

Hupp v. Siroflex of Am., Inc., 122 F.3d 1456, 43 U.S.P.Q.2d (BNA) 1887 (Fed. Cir. 1997);

Halliburton Co. v. Schlumberger Technology Corp., 925 F.2d 1435, 17 U.S.P.Q.2d (BNA) 1834 (Fed. Cir. 1991);

Kingsdown Medical Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867, 9 U.S.P.Q.2d (BNA) 1384 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989); and

Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 223 U.S.P.Q. (BNA) 603 (Fed. Cir. 1984).

Based on my reasoned and studied professional judgment, I also believe this appeal requires answers to the following questions of exceptional importance:

1. May a panel of this Court, which has not construed the claim of the patent in suit, hold that material art has been inequitably withheld form the United States Patent and Trademark Office?

2. Must a panel of this Court, which deems uncited art to have "a high level of materiality", weigh all the evidence, including evidence of good faith, when determining whether intent to deceive has been proved by clear and convincing evidence?

/s/ John D. Murnane
John D. Murnane
Attorney of Record for
Plaintiff-Appellant Elk

PETITION BY APPELLANT FOR REHEARING AND SUGGESTION FOR REHEARING IN BANC

Plaintiff-Appellant, Elk Corporation of Dallas ("Elk"), petitions for rehearing of the February 11, 1999 panel decision which affirmed the trial court's judgment of unenforceability of Elk's U.S. Patent No. Des. 344,144 ("the '144 patent"), and suggests that the rehearing be in banc. A rehearing is appropriate and just in this case because the panel confused the invention of the '144 patent was an unrelated Elk invention, misinterpreted critical cited and uncited prior art and overlooked important facts. As a result, the panel did not construe the '144 patent claim and did not fully consider the issue of intent or the wealth of evidence presented by Elk establishing its good faith.

I. THE POINTS OF LAW AND FACT OVERLOOKED OR MISAPPREHENDED BY THE PANEL OF THE COURT

A. The Panel Misapprehended The Point Of Novelty Of Elk's Claimed Invention, Against Which Materiality Is To Be Judged

The panel opined that Elk's invention is "a two-ply, composite roofing shingle based on the Bettoli patent that utilized striations of shading to simulate the appearance of slate shingles" (Op. p. 2) where the "striations appear to blend into each other across a simulated shingle" (Op. p. 7). In doing so, **THE PANEL DID NOT CONSTRUE THE '144 PATENT CLAIM BUT INSTEAD CREATED AN AMALGAM OF TWO DISTINCT ELK INVENTIONS, ONE OF WHICH NEVER WAS A PART OF THIS CASE.** As clearly stated in inventor Weaver's letter requesting a search, he was providing "a description of two (2) shingle products which we plan to introduce." (A04844). With respect to "PRODUCT NO. 1", Mr. Weaver described and provided a sketch of Elk's Tuscaloosa T-3 product (hereinafter "T-3") in which Elk "tries to simulate the appearance of slate, not wood shingles." (A04845-46). That is **NOT** the invention in suit. On pages A04847-8, Mr. Weaver described and depicted "PRODUCT NO. 2: 'STRIATION' ", noting that the

> "uniqueness of this product is in regard to the application of different color granules, as shown in the enclosed sketch. The bands of dark, medium, and light granules simulate shadows and highlights, thus giving the shingle an enhanced allusion [sic] of depth."

Such "[s]triation" is essential to the invention at issue in this case. Moreover, the '144 patent drawings show that the striations of color, visible on the backer strip of a real laminated shingle, are interrupted by tabs of relatively uniform color. (A02046-47). That is the invention of the '144 patent.

The panel's flawed interpretation of Elk's invention stemmed from its overlooking: (1) 37 C.F.R. § 1.153 and Manual of Patent Examining Procedure ("MPEP") § 1503.01 (Addendum); (2) the '144 patent application's title of the design, claim and drawings (A02053-60); (3) the Amendment that explained in detail the point of novelty of Elk's invention (A02116-21); (4) the laminated shingle claims 4, 7, 9 and 10 which Mr. Felger filed in Elk's co-pending continuation-in-part utility patent application which confirmed the point of novelty as providing relatively uniform color to the tabs of the laminated shingle and a color gradient on the second shingle sheet between the tabs (A03303-05); and (5) the district court's Order construing the '144 patent's claim which is incongruous with its decision (and the panel's affirmance) on inequitable conduct. (A06310, 14)

B. The Panel Misapprehended Inventor Weaver's Statement Regarding The Uncited Bettoli Patent

In upholding "the district court's findings of the high level of materiality of the Bettoli patent and the applicants' knowledge of that materiality", the panel noted "that Mr. Weaver's letter, requesting a search report, revealed that the applicants knew that the new shingle was very similar to the shingle disclosed in the Bettoli

patent." Op. p. 8. On pages 2-3 of the Opinion, the panel wrote, "In his letter requesting the search, Mr. Weaver acknowledged the similarity of the new design to the shingles disclosed in the Bettoli patent:

> The enclosed sketch describes this [new] product's appearance. This shingle's construction is similar to the one described in Bettoli's patent No. 3,921,358 which is also enclosed.

BUT THE QUOTED LANGUAGE ON WHICH THE PANEL RELIED REFERS TO THE T-3 SHINGLE, NOT THE STRIATION INVENTION IN SUIT. (A04845). Mr. Weaver did not mention the Bettoli patent with respect to the invention in suit. Rather, he wrote, "several of our competitors use a black or dark shadow line, but we know of no one using a shadow and highlight lines." (A04847). The cited Noone patent used a shadow line. (A02159-70).

C. The Panel Misapprehended The Disclosure Of The Cited Morgan Patent – It Is A Laminated Shingle. Not A Single-Ply Shingle

The panel ruled that "the district court did not clearly err in finding that the Bettoli patent was the most material prior art and that the Bettoli patent was not cumulative of the Morgan and Noone patents which were cited to the PTO" "because the design claimed in the '144 patent is for a two-ply, composite shingle, not a single-ply, strip shingle." Op. p. 7. The panel had found that "the Morgan patent, which predates the Bettoli patent, discloses a different type of shingle, a single-ply, strip

shingle, [rather] than the two ply, composite shingle disclosed in the Bettoli patent." Op. p. 6. **BUT THE MORGAN PATENT INDISPUTABLY DESCRIBES AND CLAIMS A LAMINATED SHINGLE WHICH IS SO SIMILAR TO THE BETTOLI SHINGLE THAT BETTOLI SOUGHT TO PROVOKE AN INTERFERENCE WITH THE MORGAN PATENT.** (A02383).

Contrary to the panel's Opinion, Morgan did not predate Bettoli. Two Morgan patent applications were filed in 1970 and both patents issued in 1971. (A02174-85, 4807-21). GAF has correctly observed that the two Morgan patents, U.S. Patent Nos. 3,613,238 and 3,624,975, differ "only in the relative dimensions of the [tab] sheet and the [backer] strip." (A02389). The Bettoli application was filed in 1967 and issued in 1975. (A04272). The Bettoli shingle had been commercially successful since 1968. (A02397). Morgan modified the laminated shingle to provide an "extended lower portion of the tab [to] form an overhung ledge that casts a natural shadow beneath and along the upper edge of the underlying course of shingles." (A02181, col. 5 lines 61-64). The pertinence of the Examiner's citation of Morgan during the prosecution of Elk's '144 patent was confirmed in detail during the prosecution of Elk's continuation-in-part utility application (A03348-50) where the Examiner rejected Elk's laminated shingle claims in view of Morgan, noting:

> Morgan ('328) discloses a rectangular, laminated shingle with a weather surface defined by a first shingle sheet or portion and a second sheet or portion. The first sheet has a plurality of tabs and openings integral therewith, the tabs and openings varying dimensionally with respect to each other. The second sheet is connected to the

> first sheet such that portions of the second sheet are exposed via the openings of the first sheet, completing the weather surface. The first sheet is covered in a layer of mineral granules that are unitary in color, while the second sheet is covered in mineral granules that define a color gradient or blend, which gives the shingle an appearance of depth due to the light and dark sections of the blend. Variations in color exist on the shingle between the adjacent tabs. However, there is no specific mention of forming the blend with striations. . . . Morgan ('975) discloses a similar laminated shingle, complete with color blends. Morgan ('975) also states the use of texturing the second sheet with narrow, closely-spaced vertical lines (while keeping the tab sections unitary) to enhance the depth appearance of the shingle. Refer to column 8, lines 23-46. These vertical lines are considered to be striations. It would have been obvious to one of the ordinary skill in the art to use striations (as taught by Morgan '975) for the color blend on the second sheet of Morgan ('328), since color blends are considered to form definite "striations" or regions where colors slowly blend from a light shade to a dark shade.

D. The Panel Overlooked The Fact That Attorney VanWinkle Had Cited A Disclosure Of A Bettoli Shingle To The Examiner During Prosecution Of The Patent In Suit

The panel noted that "many manufacturers, including Elk" had been licensed under the Bettoli patent to manufacture and sell two-ply, composite roofing shingles; but the panel overlooked the fact that **Elk disclosed to the PTO** during the prosecution of the '144 patent **one of**

those shingles. Johns-Manville's Woodlands laminated shingle, which is the Bettoli shingle. (A02172, 2699, 3604-06).

E. The Panel Overlooked Inventor Weaver's Comments And Other Facts Regarding The Noone Patent

The panel observed that inventor Weaver, after reviewing the search report, characterized the Giles patent as "[o]f special interest." But the panel overlooked the facts that:(1) **Mr. Weaver was writing about two references, the other reference being the disclosed Noone design patent,** and that was the patent he emphasized (A04393); (2) the owner of the Noone patent, **CertainTeed, asserted the Noone patent against Elk's shingle at issue** while Elk was preparing the application for the patent in suit (A02858); (3) while attorney VanWinkle was preparing the application, he was also preparing an opinion for Elk concerning CertainTeed's infringement allegation (A01364-66, 2862-63); and (4) **GAF stopped making its Bettoli laminated shingle with a shadow line on the top of the backer strip in between the tabs for fear of infringing the Noone patent.** (A03801-04, 3816, 2868-69, 3942-45, 4073-75, 3890-92).

F. The Panel Overlooked Extensive Evidence Of Good Faith On The Part Of Elk, The Inventors And Their Attorneys

The panel found that the Bettoli and Giles patents "were never disclosed to the PTO despite the fact that it was the standard practice of the patent attorney who

completed the prosecution of the '144 patent to disclose all of the prior art cited in a search report." Op. p. 3. But the panel overlooked the facts that: (1) the attorney, **Mr. Felger, never saw the search report** until discovery in this litigation (A01619-22); (2) **Mr. Felger disclosed the Bettoli patent to the PTO twice in the co-pending utility case** (A03292; A03319-20) shortly after he learned of its existence (A01826-27, 1706-07, 1709-11); (3) **Mr. Felger did not learn of the Giles patent until after the '144 patent issued, and then he immediately disclosed it to the PTO** in the utility application on March 23, 1994 (A03326-27); and (4) **Mr. VanWinkle (the first attorney) who had disclosed the Woodlands (Bettoli) shingle in the '144 application, disclosed the Bettoli patent to the same Examiner in a co-pending application** on Elk's T-3 shingle. (A01503-04).

The panel noted that "[i]nformation is 'material' when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent." Op. p. 6. The panel overlooked, however, that **the continuation-in-part application's Examiner, fully aware of Bettoli and Giles, cited Morgan but not Bettoli or Giles** against Elk's laminated shingle claims in the first office action. (A03331-33, A03346-50).

The panel noted the district court considered that "the testimony of the prosecution attorney indicated that there was a strong likelihood the prosecuting attorney also knew of the materiality of the Bettoli patent." Op. p. 8. We were unable to locate such a finding in the district court's decision. On pages A00022-23, the district court related at length Mr. Felger's testimony. As noted *supra*

page 6, Mr. Felger did not learn of Bettoli until the last weeks of prosecution of the '144 patent application. During that time **he told GAF** about its laminated shingle patent while discussing GAF's declaratory judgment contentions, and **he also advised the PTO** of the Bettoli patent in the specification and disclosure statement of the continuation-in-part application before the issuance of the '144 patent. (A01706-11, 1826-27). Those are not the actions of a man who is conspiring to conceal material art from the PTO.

The panel's discussion of the intent issue is found in but one paragraph on the last page of the Opinion. The panel noted that "this element of inequitable conduct must generally be inferred from the facts and circumstances surrounding the applicants' overall conduct" and "[i]n light of all the circumstances of the case." But neither the district court nor the panel addressed the wealth of evidence which demonstrated Elk's good faith.

II. ARGUMENT IN SUPPORT OF THE PETITION FOR REHEARING

A. The Materiality And Intent Analyses Must Relate To The Claimed Invention

In its briefs Elk repeatedly stressed that the district court had not focused on Elk's *claimed design invention* when assessing the cited and uncited prior art. In two recent cases, this Court considered the points of novelty of design inventions and uncited art in deciding allegations of inequitable conduct. *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1118-22 (1998);

Unidynamics Corp. v. Automatic Prods. Int'l., 157 F.3d 1311, 1324, 48 U.S.P.Q.2d (BNA) 1099, 1107 (1998). This Court stated in *Goodyear*, "[t]he points of novelty relate to differences from prior designs, and are usually determinable based on the prosecution history." 162 F.3d at 1118. The point of novelty of Elk's invention is evident in the prosecution history of the '144 patent.

37 C.F.R. § 1.153 requires that "[t]he title of the design must designate the particular article." MPEP § 1503.01 provides that "[t]he title of the design identifies the article in which the design is embodied by the name generally known and used by the public . . . the language of the title and claim must correspond." Mr. VanWinkle understood that laminated shingles were old in the art (A01483) and he plainly indicated that in the design application he filed in 1991 that bears the title "LAMINATED SHINGLE" and claims "The ornamental design for LAMINATED SHINGLE as shown and described." (A02053-54). The drawings show a laminated shingle wherein the visible backer strip regions having three striations of color are interrupted by tabs having relatively uniform coloration. (A02059-60). By 1991, thirteen companies had sold in this country approximately 75 million squares of laminated shingles having a physical structure identical to the shingle depicted in Elk's drawing (A01599-1602), but none incorporated the '144 design invention.

In the 1993 office action, the Examiner rejected Elk's application in view of Morgan '975. Mr. Felger responded to the rejection as follows:

> Morgan, et al. teaches a laminated shingle which, when arranged on a roof, will achieve characteristic irregularities and shadow effects of a wood shingle roof (*See* Morgan, et al., Column 5, lines 45-49). The overlapping portion of the tab enhances this look of irregularity by casting a natural shadow "beneath and along the upper edge of the underlying course of shingles." (*See* Morgan et al., Column 5, lines 61-64). Thus, these overlapping tabs are required by the Morgan et al. shingle to give the desired irregular appearance. There is no teaching in Morgan et al. or the other references cited by the Examiner to use Applicants' striations to produce the allusion [sic] of depth.

(A02119). To emphasize that Elk had not altered the laminated shingle structure as Morgan had done. Mr. Felger stated that the invention was the "unique arrangement of color granules in three striations rather than modifying the physical structure of the shingle." (A02118). He further illustrated Elk's invention by presenting a side-by-side color photograph comparing Elk's claimed invention (on the right) and a standard laminated shingle (on the left). (A02199). Four months later, while drafting the co-pending continuation-in-part application laminated shingle claims. Mr. Felger contrasted the "tab having a relatively uniform color; and the color gradient disposed on the second shingle sheet between the tabs." (A03303-05).

How is the point of novelty of Elk's claimed invention to be determined in relation to the Bettoli patent which discloses a laminated shingle? Guidance is provided in the '144 patent's prosecution history that was summarized by district court in its Order Re: Construction of Patent Claims (A06297-6314):

- As noted in the discussion of the '929 patent, laminated shingles were well known and widely used in the industry by 1991.
- In its amendment to the application filed in September 1993, Elk identified the novel feature of its design as the addition of "three striations rather than modifying the physical structure of the shingles."
- It is also apparent that the PTO examiner was aware of the claimed novel feature of the application even before the filing of the [September 1993] amendment.
- It is thus apparent that the examiner understood the application was not claiming the entire shingle and understood the claimed novel feature of the application.

(A06310). The answer to the question posed above is, therefore, that the Bettoli *patent* is superfluous, because the laminated shingle itself had been disclosed in the patent (Fig. 1) and acknowledged in the claim to be prior art. The panel's Opinion does not mention the district court's claim construction.

B. Elk's Good Faith In Its Citation Of Prior Art To The Examiner

The foregoing misapprehensions and overlooked crucial facts indicate that the panel, in arriving at its inference concerning intent, virtually ignored the extensive evidence of good faith submitted by Elk. But evidence of good faith must be considered in determining whether or not inequitable conduct occurred, *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876,

9 U.S.P.Q.2d (BNA) 1384, 1392 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989), even if highly material art had been withheld. *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384, 47 U.S.P.Q.2d (BNA) 1533, 1536 (Fed. Cir. 1998).

The panel incorrectly opined that Elk's invention simulated the appearance of slate shingles (which are Elk's different T-3 invention) and overlooked the facts that (a) Mr. Weaver's memo regarding the search report stated that both Giles **and Noone** were of special interest, then focused exclusively on the Noone design patent, noting that a copy of the file history had been ordered (A04393), (b) just prior to the preparation of the '144 application. CertainTeed wrote to Elk stating that Elk's inventive laminated shingle infringed the Noone patent (A02858, 01021, 01090-91, 01587-88), (c) while preparing the '144 patent application. Mr. Van Winkle worked on an opinion concerning CertainTeed's allegation (A02862-63) and (d) GAF stopped making and selling its Bettoli laminated shingle with a shadowline on the backer sheet for fear of infringing the Noone patent. (A03801-04, 03816, 02868-69, 03942-45, 04073-75, 03891-92). GAF continued, however, to manufacture a strip shingle bearing a continuous shadow line not interrupted by tabs. (A03816-17).

The panel also overlooked Elk's views of the Noone shingle itself. In 1991, Elk personnel were excited about their invention because it created the illusion of depth, something for which manufacturers had been striving for generations. Noone had made some progress with the Horizon Shangle; compare the CertainTeed brochure showing the Noone shingle (A02877) with the GAF brochure presenting the Bettoli shingle (A06318, right side).

Note that GAF touts the "dimensional" appearance of its shingle and that CertainTeed states that its shingle has "a luxurious dimensional appearance." (A02876). Observe that the Noone shingle looks better and presents an appearance of greater depth than the standard Bettoli laminate. Mr. VanWinkle viewed those Noone shingles while preparing the '144 patent application and the disclosure statement (A01522).

The foregoing overlooked evidence clearly corroborates the credibility of the inventors' and attorneys' testimony that they truly regarded the Noone patent as the most pertinent art. Their good faith in this belief is further supported by evidence demonstrating that not only the applicants and their counsel, but the PTO and GAF as well did not regard Bettoli and Giles as material to the design invention of the patent in suit. Knowledge of materiality is a necessary element of inequitable conduct. *FMC Corp. v. Manitowoc Co., Inc.*, 835 F.2d 1411, 1415, 5 U.S.P.Q.2d (BNA) 1112, 1115 (Fed. Cir. 1987).

Mr. Weaver thought that the Bettoli patent was pertinent to the T-3 invention, **not** the striation invention, and that is what he advised the search firm. Mr. VanWinkle agreed, and so he cited Bettoli to the same Examiner in the co-pending T-3 application (A01503-04) while not citing it in the '144 patent application. Mr. Felger did not learn of Bettoli until weeks before the issuance of the '144 patent. During that period he met with representatives of GAF who had sued Elk seeking a declaratory judgment of invalidity of the soon-to-issue patent. (A01706-07; A04318). GAF contended then that Elk's patent would be invalid in view of the Fire-Chex strip shingle having light coloring at the top and dark coloring at the bottom.

(A01706-07). GAF did not mention its Bettoli-type shingle products or its strip shingle having Giles-type coloration. (A01727, 2718, 3784-87). GAF's prior conduct with respect to that art should have "weigh[ed] heavily against its argument" that the art "was material." *Sensonics Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1570-71, 38 U.S.P.Q.2d (BNA) 1551, 1554-55 (Fed. Cir. 1996). **Mr. Felger** mentioned GAF's laminated shingle patent at the meting and he disclosed it to the PTO in Elk's co-pending continuation-in-part utility application. (A01706-11:01826-27, 03292, 3320). On March 23, 1994, Mr. Felger promptly cited Giles (A03326-27). The utility application's Examiner did not cite Bettoli or Giles against a single laminated shingle claim until later in the prosecution when advised of GAF's May 1994 contentions. (A03346-47, 6496).

The panel also overlooked the Johns-Manville Woodlands brochure pages (1982 Sweets Catalog File) which Mr. VanWinkle cited to the Examiner that characterize the product as "heavyweight, three-dimensional shingles." (A02172: see also, A0636, 769, 819). Elk was well aware of the Woodlands Bettoli-type laminated shingle; indeed, Johns-Manville had made them for Elk on a "private-label" basis. (A01068-69). Mr. VanWinkle had been given a copy of the Noone patent file history by Elk and decided to disclose in the '144 patent application all the art, including Woodlands, which had been cited against Noone. (A01397, 1411-12). Had Mr. VanWinkle intended to conceal the Bettoli shingle from the '144 patent Examiners, his citation of Woodlands in 1991 would have been reckless. That is because the Noone file history shows

that one year earlier, the PTO Board of Appeals, in reversing the same two Examiners' rejection of the Noone design application, wrote that Noone's "stripes" "simulate the shadow of an overlying shingle" and that the "simulated-shadow stripes are of variable width and position so that they will match the pattern of an overlying shingle." (A06275). The Board distinguished Manville's Woodlands, which had been cited against Noone, noting that *"the shadows formed by the upper shingles are real, not simulated.* Therefore, prior to installation, there would be no simulated shadow stripes on the shingle." (A06276, emphasis in original).

The Board's decision corroborates Elk's witnesses' testimony that they disclosed to the PTO a simulated laminated shingle (Noone) and a laminated shingle (Woodlands). (A0610-11, 904, 3805-06; 639-40, 642, 644, 646-47, 763-69). Only a laminated shingle casts the actual shadows simulated by Noone. *Id.*

The Board's decision is also consistent with Elk's testimony that Noone is more pertinent than Giles. The point of novelty in Elk's claimed invention is not striations blending "into each other across a simulated shingle" to provide a slate-like appearance, as the panel has suggested (Op. pp. 2, 7). If that were Elk's invention, then Giles might indeed be material. But Elk's design point of novelty on the laminated shingle is three distinct striations of color interrupted by tabs of uniform color. In the prior art, only Noone's design had a zone with more than one color adjacent to a portion having uniform color (the raised tab) (A0790-91, 3913-15, 3920) and, as emphasized by the utility application's Examiner, Morgan discloses varying color on a backer strip interrupted by tabs in a

laminated shingle. (A03348-50). Elk's good faith is further evidenced by its citation of the Ritter patent which discloses applying texture to a shingle in parallel, spaced apart longitudinal lines of elevated units or patches to provide a rib effect and then covering those lines with granules of different colors. (A02105-06). Removal of the word "intermittently" from col. 2. line 53 (A02106) in Ritter yields Elk's precise means of depositing color granules.

Paul Weaver, Thomas Felger and Roy VanWinkle are cited in the panel's precedential Opinion affirming inequitable conduct. "To be guilty of inequitable conduct, one must have intended to act inequitably." *FMC Corp.*, 835 F.2d at 1415, 5 U.S.P.Q.2d at 1115. What is the clear and convincing evidence that any of these men intended to act inequitably? It does not exist!

III. ARGUMENT IN SUPPORT OF THE SUGGESTION FOR REHEARING IN BANC

The panel decision is contrary to the *Goodyear, Unidynamics, Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 17 U.S.P.Q.2d (BNA) 1834 (Fed. Cir. 1991), and *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 223 U.S.P.Q. (BNA) 603 (Fed. Cir. 1984), decisions of this Court because the panel did not assess the cited and uncited art in view of Elk's claimed invention, the point of novelty of Elk's design. Had the panel compared with the art Elk's laminated shingle, ornamented with a backer strip having three color striations interrupted by adjacent tabs of uniform color, the panel would have recognized

that the cited Noone patent was the most material reference, or at least that Elk's inventors and attorneys could believe so in good faith, and that Morgan is more pertinent than the uncited art.

The decision of the panel is also contrary to the *Goodyear, Akron Polymer* and *Kingsdown* decisions of this Court because the panel did not consider Elk's conduct in light of all the circumstances. "Both materiality and culpable intent are essential factual predicates of inequitable conduct, and each must be proved by clear and convincing evidence." *Goodyear,* 162 F.3d at 1122; *Kingsdown,* 863 F.2d at 872, 9 U.S.P.Q.2d at 1389. Based on its misunderstandings of fact, the panel believed that highly material art had been withheld and thus addressed the intent issue in less than one page, overlooking a wealth of evidence which demonstrated Elk's good faith. However, "[i]ntent is an independent element of inequitable conduct in patent prosecution and must be separately established." *Hupp v. Siroflex of Am. Inc.,* 122 F.3d 1456, 1465, 43 U.S.P.Q.2d (BNA) 1887, 1893 (Fed. Cir. 1997). Even if the uncited art had actually been highly material, the "governing law . . . includes a specific dictate concerning the element of intent: the challenged 'conduct must be sufficient to require a finding of deceitful intent *in light of all the circumstances*'." *Akron Polymer,* 148 F.3d at 1383, 47 U.S.P.Q.2d at 1535 (emphasis in original) (highly material information withheld from PTO). In *Akron Polymer,* this Court ruled that "[w]hen examining intent to deceive, a court must weight [sic] all the evidence, including evidence of good faith." *Id.* at 1384, 47 U.S.P.Q.2d at 1536. The Court did not limit that admonition to district courts.

Accordingly, the precedent-setting questions raised on page v herein should be answered as follows:

> (1) a panel of this Court which has not construed the claim of the patent in suit may not hold that material art has been withheld from the PTO; and
>
> (2) a panel of this Court must weigh all the evidence, including evidence of good faith, when examining intent to deceive;

otherwise materiality and intent cannot be deemed proved by clear and convincing evidence.

IV. CONCLUSION

Had the panel correctly comprehended the crucial factual issues of this case and followed the precedents of this Court, it would have found that the district court did in fact abuse its discretion in finding the '144 patent unenforceable. Although it may be that rehearings are infrequently granted by this Court, the panel's Opinion in this case is based on material errors of fact and law, the

correction of which requires a contrary judgment. Accordingly, rehearing is earnestly solicited.

Dated: February 24, 1999.

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APPENDIX 3

ELK'S REPLY TO GAF'S OPPOSITION TO THE PETITION FOR REHEARING AND SUGGESTION FOR REHEARING IN BANC

IN THE

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

Appeal No. 98-1369

ELK CORPORATION OF DALLAS,

Plaintiff-Appellant,

-v.-

GAF BUILDING MATERIALS CORPORATION,
BUILDING MATERIALS CORPORATION OF AMERICA,
BUILDING MATERIALS CORPORATION OF AMERICA d/b/a/
GAF MATERIALS CORPORATION, and
GAF MATERIALS CORPORATION,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS IN 94-CV-249, JUDGE JORGE A. SOLIS

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ELK'S REPLY TO GAF'S OPPOSITION TO THE PETITION FOR REHEARING AND SUGGESTION FOR REHEARING IN BANC

"While vigorous advocacy is accepted, an officer of the court must not attempt to mislead the court." *Joy Technologies, Inc. v. Flakt, Inc.*, 6 F.3d 770, 777, 28 U.S.P.Q.2d (BNA) 1378, 1384 (Fed. Cir. 1993). As clearly demonstrated below, GAF engaged in precisely such an attempt in its opposition brief. It is ironic that GAF did so in an effort to persuade this Court that two Elk attorneys engaged in inequitable conduct.

I. GAF HAS MISREPRESENTED CRITICAL FACTS

A. Bettoli, Giles, Morgan and The PTO

On page 7 of its opposition brief, GAF writes:

> After this litigation was filed and GAF raised Elk's failure to cite Bettoli as a basis of its defense, Elk for the first time disclosed the Bettoli Patent to the PTO in connection with the '929 Case. Not surprisingly, the PTO immediately used Bettoli in conjunction with Giles as the basis for a rejection of the utility patent in the '929 Case. (A03343-51).

On page 9 of its brief, GAF continues:

> The District Court also recognized that the action of the PTO in '929 Case confirmed the conclusion that Bettoli is not cumulative of Morgan (A00018). Initially, the PTO relied upon Morgan – neither Bettoli or Giles had yet been disclosed – to reject the utility application in the '929 Case. However, upon Elk's reluctant and late disclosure of Bettoli and Giles on the '929 Case, the PTO withdrew its rejections based upon Morgan and rejected claims identical to the claim of the '144 Patent as obvious on the basis of Bettoli in combination with Giles. (A03343-51).

These GAF statements concerning Elk's disclosure of Bettoli and Giles in the '929 case and the PTO's rejection based on those references are false. GAF succeeded in confusing the district court regarding these critical facts and now seeks to continue to confuse this court as well.

The facts are as follows. Elk filed its '929 utility application, a continuation-in-part of the application of the design patent in suit, on February 1, 1994. (A03284, 3290). On that day, Thomas R. Felger, Esq., Paul Weaver and his co-inventors disclosed the Bettoli U.S. Patent No. 3,921,358 to the PTO twice: first, in the specification of the '929 application as filed (A03292) and second, in the information disclosure statement filed with the application (A03319-20). This litigation commenced on February 8, 1994 (A00034), the day the '144 design patent in suit issued. (A02046).

Mr. Felger mailed a Petition To Make Special to the PTO on March 23, 1994. (A03339-40). In his accompanying declaration, Mr. Felger noted that a prior art search had been made and that the results "are presented in a Supplemental Information Disclosure Statement filed this same day." (A03336). The Giles U.S. Patent No. 2,036,329 was submitted that day. (A03326-27).

On May 5, 1994 the Examiner considered Bettoli (A03320) and Giles (A03327) and signed the Office Action (A03351) which the PTO mailed on May 10, 1994. At that time, Elk's laminated shingle claims (A03303-08, A03331-33) were rejected "under 35 U.S.C. § 102(b) as being anticipated by Morgan Jr. et al., U.S. Patent No. 3,613,328 ('328)" (A03346) or "under 35 U.S.C. § 103 as being unpatentable over Morgan Jr. et al. ('328) in view of Morgan et al., U.S. Patent No. 3,624,975 ('975)", (A03348). **Not a single claim was rejected in light of Bettoli.** The Examiner rejected claims 1 and 3 as being unpatentable in view of Giles, but those claims read on non-laminated strip shingles, which Giles depicts. **Giles was not cited against a single laminated shingle claim.**

On page 13 of its September 8, 1998 brief to this Court GAF stated, "Elk disclosed both Bettoli and Giles in the '929 application due to GAF's assertion of inequitable conduct in this case." Elk advised the Court during oral argument that GAF's statement was incorrect, inviting attention to the record, page A06496, where it is noted that GAF did not advise Elk of its inequitable conduct contentions until May, 1994, months after Elk's submissions of Bettoli and Giles to the PTO. Elk again cited that page of the record in its petition for rehearing, page 12. To further aid the Court, Elk supplies herewith as an addendum a copy of GAF's actual letter of May 4, 1994 which was referenced on page A06496. The letter unquestionably demonstrates that GAF did not mention its inequitable conduct defense until months after Elk's submissions to the PTO.

Thus, Elk was neither "reluctant" nor "late" in its disclosures of Bettoli and Giles in the '929 case months before GAF's "fraud" assertions. Mr. Felger submitted those patents to the PTO immediately after learning of them. (A01706-11;01826-27;03292;03320). His predecessor attorney in the prosecution of Elk's design application, Mr. VanWinkle, did not consider the Bettoli and Giles patents pertinent to Elk's laminated shingle, and the '929 utility Examiner later agreed with that view. Further, GAF did not even mention Bettoli when it conferred with Elk at DFW Airport in January, 1994 and explained the prior art basis for its contention in its pending declaratory judgment case that Elk's design patent would be invalid. (A01727;02718;03784-87). None of these facts are mentioned in the district court's or the panel's decision. But "[i]t is jurisprudentially inappropriate to disregard

any relevant evidence on any issue in any case, patent cases included." *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538, 218 U.S.P.Q. (BNA) 871, 879 (Fed. Cir. 1983).

Even assuming that GAF's incorrect statement in its September 8, 1998 brief concerning Elk's disclosures of Bettoli and Giles in the '929 case was an innocent mistake. Elk pointed out the error at the oral argument, citing the record and again correctly stated the facts in its petition. One can only conclude that GAF is seeking in its opposition brief to continue to cause the confusion which has to date, resulted in its success in these proceedings. Note that the district court found, "[b]ecause the shingle submitted by Elk in its application is a Bettoli shingle, reason dictates that the Examiner would have used Bettoli rather than Morgan in her obviousness analysis if she had known of Bettoli." (A00016). That theme runs throughout GAF's opposition brief, as it has run through all GAF's arguments in these proceedings for nearly four years. But the only basis for the district court's finding was GAF's argument; the evidentiary record showed that a PTO Examiner fully aware of Morgan and Bettoli cited Morgan against Elk's laminated shingle claims and never mentioned Bettoli until later advised (by Elk's counsel Mr. Felger) of GAF's inequitable conduct contentions in this lawsuit. The criticality of GAF's misrepresentations is illustrated by reading the first full paragraph on page 9 of GAF's opposition brief and substituting the true facts regarding the prosecution of the '929 case for the false statements which GAF has provided. "[T]he action of the PTO establishes as a matter of law that" Morgan is more pertinent than Bettoli.

II. THE CONFUSION CAUSED BY GAF IS SO GREAT THAT ELK'S CLAIMED INVENTION AND THE PRIOR ART HAVE BEEN MISUNDERSTOOD BY THE PANEL

As noted in Elk's petition, rehearing is necessary in this case because the panel misapprehended Elk's claimed invention and the critical cited and uncited prior art. GAF does not deny the accuracy of the points of misapprehended fact raised by Elk, but GAF continues to mischaracterize Elk's claimed invention. GAF argues at page 3, "that the Panel accurately described Elk's claimed design [as] 'an improved Bettoli-type laminated shingle' with 'three horizontal striations that appear to blend into each other across a simulated shingle." That is not Elk's invention. As noted in Elk's appeal brief (pages 42, 43, 45 and 46), its reply brief (page 8) and its petition (pages 7-9) Elk fulfilled the requirements of 37 C.F.R. § 1.153 and MPEP § 1503.01 by advising the PTO that its inventors had ornamented a laminated shingle, the laminated shingle itself being prior art. The drawings show that invention, namely a prior art laminated shingle on which the visible backer strip regions have three striations of color which are interrupted by the prior art tabs which have relatively uniform coloration. (A02059-60). In responding to the Office Action, Mr. Felger stated that the invention was the "unique arrangement of color granules in three striations rather than modifying the physical structure of the shingle." (A02118). In its claim construction Order, the district court concluded "[i]t is thus apparent that the examiner understood the application was not claiming

the entire shingle and understood the claimed novel feature of the application." (A06310). None of the foregoing facts are addressed by GAF in its opposition brief.

Instead, GAF relies heavily on *Baxter Int'l v. McGaw, Inc.*, 149 F.3d 1321, 47 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998), citing it five times in its brief. The district court had cited the trial judge's *Baxter* decision while noting, "the duty to disclose material information does not mean that an applicant need only disclose the closest prior art." (A00017-18). Elk distinguished the *Baxter* decisions, which involved utility patents, in its July 27, 1998 appeal brief. Since then, this Court has issued two far more pertinent decisions, *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1118-22 (Fed. Cir. 1998) and *Unidynamics Corp. v. Automatic Prods. Int'l*, 157 F.3d 1311, 1324, 48 U.S.P.Q.2d (BNA) 1099, 1107 (Fed. Cir. 1998), each of which dealt with design patents.

The *Baxter* utility patents covered a method for administering intravenous fluids and medications. Nothing in the patent applications or the cited references revealed anything about the uncited Borla injection site model which included all the features of the claimed invention except one. By contrast, a *design application* must identify "the article in which the design is embodied." Elk did that by identifying and depicting in the application drawings a prior art laminated shingle and by emphasizing during patent prosecution that the invention was the "unique arrangement of color granules", not a modification of "the physical structure of the shingle." The district court's claim construction Order states that the Examiner properly "understood the claimed novel feature of the application." (A06310). Although Elk did

not mention Bettoli by name, its "LAMINATED SHINGLE" title and its claim identified "the article in which the design [was] embodied by the name generally known and used by the public" (MPEP § 1503.01). As the district court noted, "laminated shingles were well known and widely used in the industry by 1991" (A06310) and as the panel observed, the Bettoli patent covered "two-ply, composite roofing shingles which are often referred to as 'laminated shingles'." (Opinion, page 2).

GAF's arguments on pages 13 and 14 of its opposition brief concerning the *Goodyear* and *Unidynamics* cases are without merit. Those two decisions make clear that the point of novelty, an essential element of the invention, must be considered when assessing whether uncited art is material. The district court correctly construed the point of novelty of Elk's claimed invention in its claim construction Order and noted that the Examiner had as well. Elk regarded the Noone patent as closest to the point of novelty because it showed a shingle where regions of two colors were separated by raised "tabs" of uniform color to give the "dimensional" look of a laminated shingle. (A02876-77). The Examiners in both the '144 patent and '929 patent cases regarded Morgan as most pertinent, the latter contending that Morgan's backer strip "second sheet" had "striations" of color separated by "first sheet" tabs of "unitary" color. (A03348-50). As noted above, page 2, the '929 Examiner made that rejection while fully aware of Bettoli and Giles.

The '144 patent Examiner had also been advised of Bettoli by Elk, albeit in the co-pending T-3 patent application. (A01503-04). Mr. VanWinkle regarded Bettoli as pertinent to the T-3 invention (*Id.*) as Mr. Weaver had.

(A04845). While not germane to the materiality issue, Elk's disclosure of Bettoli to the same Examiner in a co-pending application is certainly relevant to the issues of knowledge of materiality and intent. *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384, 47 U.S.P.Q.2d (BNA) 1533, 1536 (Fed. Cir. 1998). Nothing in the panel's or the district court's decisions indicates that that evidence was weighed.

Similarly, nothing in the panel's opinion suggests that Elk's submission of the Johns-Manville brochure in the '144 case was weighed. GAF incorrectly avers on page 11 of its opposition brief that Elk has asserted that its citing that brochure "was intended as a disclosure of Bettoli." Elk has never argued any such thing. Elk has merely pointed out that its citing a brochure for a GAF licensee's Bettoli laminated shingle was inconsistent with an intent to withhold the existence of the Bettoli shingle from the PTO. As for the legibility of the brochure, the PTO had no problem accurately discerning the laminated shingle in the pictures. (A06276).

Regarding the Weaver memo (A04393), GAF contends that something in the memo itself provides "an incentive to be less than candid." (GAF opposition brief, page 11, footnote 5). GAF does not explain why Elk then provided all of the search results to its patent attorneys. Elk has always contended that the memo *in its entirety* demonstrates that Mr. Weaver regarded Noone as more pertinent than Giles. Looking only at the portion quoted by GAF on page 11, it is evident that Mr. Weaver saw the two references as being at least cumulative.

There is no mention in GAF's opposition brief of GAF's conduct, which completely corroborated Elk's testimony regarding Bettoli and Noone. Similarly, that conduct was never mentioned in the district court's or the panel's decisions. Under *Sensonics Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1570-71, 38 U.S.P.Q.2d (BNA) 1551, 1554-55 (Fed. Cir. 1996) and *Akron Polymer*, it should have been considered and weighed.

III. CONCLUSION

GAF's misrepresentations of fact and its efforts to confuse the issues cannot mask the fact that the district court abused its discretion in finding the '144 patent unenforceable, because there was no clear and convincing evidence of either materiality or intent. This case is of enormous commercial significance to both parties, but that cannot excuse GAF's conduct, especially because it should also be borne in mind that the reputations of three men are at stake here. Justice requires a rehearing and Elk reiterates its suggestion that the rehearing be in banc.

Dated: April 7, 1999

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APPENDIX 4

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

98-1369

ELK CORPORATION OF DALLAS,

Plaintiff-Appellant,

v.

GAF BUILDING MATERIALS CORPORATION, BUILDING MATERIALS CORPORATION OF AMERICA, BUILDING MATERIALS CORPORATION OF AMERICA d/b/a GAF MATERIALS CORPORATION, and GAF MATERIALS CORPORATION,

Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Texas in 94-CV-249, Judge Jorge A. Solis.

APPELLANT ELK CORPORATION OF DALLAS' MOTION FOR A 90-DAY STAY OF THE MANDATE PENDING THE FILING OF A PETITION FOR A WRIT OF CERTIORARI IN THE SUPREME COURT

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April 22, 1999

MOTION FOR STAY OF MANDATE

I. Introduction

Pursuant to Fed. R. App. P. 41(d)(2), Plaintiff-Appellant Elk Corporation of Dallas ("Elk") respectfully moves this Court to stay the mandate in this case for 90 days pending its filing of a petition for a writ of certiorari in the Supreme Court of the United States. As discussed below, the petition will present substantial questions, and a stay is sought to forestall action by the trial court that could necessitate a remedial order of the Supreme Court if the writ of certiorari is granted.

II. Brief Review of These Proceedings

Unless stayed, this Court's mandate will issue on April 26, 1999 based upon the panel's February 11, 1999 decision which affirmed the district court's finding of inequitable conduct in the prosecution of Elk's U.S. Patent No. Des. 344,144 ("the '144 patent"). Believing that this Court had overlooked or misapprehended critical points of law and fact, Elk petitioned this Court for a rehearing of the panel's decision and suggested a rehearing in banc. On April 16, 1999, Elk's petition and suggestion were denied without comment.

III. Substantial Questions Will Be Presented To The Supreme Court

A. Elk's Petition Will Raise a Substantial Question Concerning Due Process of Law

The panel's decision construed the invention claimed in the '144 patent as "a two-ply, composite roofing shingle based on the Bettoli patent that utilized striations of

shading to *simulate the appearance of slate shingles*" (Op. p. 2) where the "striations appear to blend into each other across a simulated shingle" (Op. p. 7). That claim construction is unlike the district court's claim construction and unlike the claim constructions advanced by any of the parties to these proceedings.

In arriving at its claim construction, the panel considered documents relating to another Elk invention, not the patented invention in suit, in which Elk "tries to simulate the appearance of slate, not wood shingles." In upholding "the district court's findings of the high level of materiality of the Bettoli patent and the applicants' knowledge of that materiality", the panel cited those same documents, noting "that Mr. Weaver's letter, requesting a search report, revealed that the applicants knew that the new shingle was very similar to the shingle disclosed in the Bettoli patent." (Op. p. 8). Because the panel plainly confused the two Elk inventions, mixed up Mr. Weaver's citation of the Bettoli patent in the prosecution of one but not the other patent application, and on that basis attributed a wrongful intent to Mr. Weaver where there could be none, Elk petitioned for rehearing based on these and other errors.

The panel's decision raises a due process of law question which is substantial, especially in view of the fact that this Court has adopted a claim construction different from that of the district courts in nearly forty percent of recent cases it has considered.[1] Neither Mr.

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[1] *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1476 (Fed. Cir. 1998) (Rader, J. dissenting in part) (noting that the

Weaver, one of Elk's named inventors, nor any other Elk inventor, nor any of the attorneys involved, two of whom are named in the panel's opinion, were ever confronted with any questions concerning the invention as construed by the panel or Mr. Weaver's written statement quoted at the top of page 3 of the panel's opinion. That statement is the primary cited basis for the panel's decision on the issues of knowledge of materiality and intent. In accordance with the principles of due process of law, the Court should have remanded the inequitable conduct issue to the district court so that evidence could be taken and the Elk inventors and their attorneys afforded their constitutional right to controvert "by proof, every material fact which bears on the question of right in the matter involved." BLACK'S LAW DICTIONARY 500 (6th ed. 1990).

B. Elk's Petition Will Raise A Substantial Question Regarding The Duty of Disclosure

Another substantial question which the petition will present is the scope of the duty of disclosure of applicants and their attorneys. The effect of the panel's precedential opinion is to require all applicants and their attorneys to disclose all prior art of which they are aware to the United States Patent and Trademark Office during patent prosecution, without regard to their knowledge of materiality. Elk's witnesses testified that they did not regard the uncited Bettoli and Giles patents as material.

Federal Circuit has reversed "in whole or in part, . . . almost 40% of all claim constructions since *Markman I.*").

Their testimony regarding the materiality issue was corroborated by an Examiner's decision not to cite either patent against laminated shingle claims, which cover the shingle claimed in the '144 patent and other shingles as well, in a co-pending Elk utility application where Elk had cited both references. Their testimony was also corroborated by the defendants' failure to cite their own Bettoli patent in their declaratory judgment claim of invalidity of Elk's '144 patent in suit. Since that corroborating evidence is not mentioned in either the district court's or the panel's decisions, the only guidance that practitioners can glean from the precedential opinion is that all known prior art must be submitted because corroborating evidence of good faith will not be weighed by the Court if it disagrees with the patent owner's assessment of materiality. That is an important question that has not been, but should be, settled by the Supreme Court.

C. Elk's Petition Will Raise A Substantial Question Regrading the Supervisory Power of the Supreme Court

A further substantial question is whether the Supreme Court should exercise its supervisory power in this case in light of the panel's refusal to grant a rehearing under Fed. R. App. P. 40 after Elk had pointed out that the decision essentially denied Elk its right of appeal because the panel had (1) confused the invention of the '144 patent with an unrelated Elk invention, (2) misinterpreted critical cited and uncited art and (3) overlooked important facts. There is a reason for Fed. R. App. P. 40. It is a safety valve for litigants when appeals have been

wrongly decided and it gives Courts of Appeals the opportunity to correct their mistakes and prevent manifest injustice. The discretion inherent in Rule 40 is not absolute. The refusal to rehear this appeal was a clear abuse of discretion.

II. A Stay Will Avoid Action By the Trial Court That Could Necessitate A Remedial Order of the Supreme Court if the Writ of Certiorari Is Granted

There are at least two reasons why, in view of the substantial questions presented above, this Court should stay issuance of its mandate. First, the issue of attorneys fees in connection with this case was stayed in the court below pending the outcome of Elk's appeal of the trial court's decision on inequitable conduct in the prosecution of the '144 patent. (Order dated April 17, 1998, p. 2 (A00004) ("[Defendant-Appellee] GAF has informed the court that in light of the finding of inequitable conduct it will move to recover attorneys fees pursuant to 35 U.S.C. § 285. . . . The court hereby directs that GAF not file its motion for attorneys fees until after the conclusion of the appeal of the inequitable conduct issue.")). The disposition of Elk's petition for certiorari will determine whether the trial court will need to consider GAF's request.

The second reason for staying the mandate is that there is still pending before the same trial court a related case in which Elk has charged GAF with infringement of Elk's U.S. Pat. No. 5,369,929 ("the '929 patent"). The '929 utility patent issued from a continuation-in-part of the application for the '144 design patent which has been held to be unenforceable. GAF has advised Elk and the

trial court that, upon exhaustion of Elk's appeal of the trial court's inequitable conduct decision, GAF will seek to have the '929 patent declared unenforceable as a matter of law as "fruit of a poisonous tree." (December 3, 1997, Hearing Tr., p. 17, attached hereto; *see also* Order dated April 17, 1998, p. 2 (A00004) ("The court's finding of inequitable conduct . . . could affect some of the remaining issues, such as . . . whether the '929 patent is enforceable. . . . ")). Thus, the disposition of Elk's petition for certiorari will also directly affect the proceedings of the court below, albeit in a separate, but closely related case. In the circumstances, Elk respectfully submits that a 90-day stay of the mandate is warranted.

* * *

Counsel for the defendants-appellees have been consulted and do not consent to this motion.

Dated: April 22, 1999 — Respectfully submitted,

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CERTIFICATE OF INTEREST

Pursuant to Rule 47.4 of the Rules of Practice before the United States Court of Appeals for the Federal Circuit, counsel for Plaintiff-Appellant Elk Corporation of Dallas hereby affirms the following:

1. Elk Corporation of Dallas is the full name of the sole Plaintiff-Appellant.

2. Elk Corporation of Dallas is the real party in interest in this Appeal.

3. Elk Corporation of Dallas is a wholly-owned subsidiary of Elcor Corporation. Elcor Corporation has issued shares to the public, and is the only parent, subsidiary or affiliate of Elk Corporation of Dallas to have done so.

4. The names of all law firms and the partners and associates that appeared for Elk Corporation of Dallas in the trial court or are expected to appear in this court are:

   a. Larry D. Carlson, Peter A. Moir and David G. Wille of Baker & Botts, L.L.P.; and

   b. Arthur S. Tenser, Robert Neuner, John D. Murnane, and Neil P. Sirota, of Brumbaugh, Graves, Donohue & Raymond. Brumbaugh, Graves merged with Baker & Botts, L.L.P. in November, 1997.

Dated: April 22, 1999 Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ELK CORP V. GAF BUILDING MATERIALS, 98-1369

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to Fed. Cir. R. 25, on [ ] this the 22nd day of April, 1999, a true and correct copy of APPELLANT ELK CORPORATION OF DALLAS' MOTION FOR A STAY OF THE MANDATE PENDING THE FILING OF A PETITION FOR A WRIT OF CERTIORARI IN THE SUPREME COURT was filed with the Court via facsimile transmission and served via facsimile transmission upon:

Samuel D. Rosen, Esq.
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In addition, the original and four true and correct copies of the motion were sent to the Clerk of the Court via Federal Express, and a true and correct copy was

served via Federal Express upon Samuel D. Rosen at the above address.

/s/ John D. Murnane
John D. Murnane

APPENDIX 5

U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

Manual Of Patent Examining Procedure
Seventh Edition, July 1998

Chapter 2000 Duty of Disclosure

2001.04 Information Under 37 CFR 1.56(a)

37 CFR 1.56. Duty to disclose information material to patentability.

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to

the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

(1) prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) the closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office.

* * *

The language of 37 CFR 1.56 (and 37 CFR 1.555) has been modified effective March 16, 1992 to emphasize that there is a duty of candor and good faith which is broader than the duty to disclose material information. 37 CFR 1.56 further states that "no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct."

The Office strives to issue valid patents. The Office has both an obligation not to unjustly issue patents and an obligation not to unjustly deny patents. Innovation

and technological advancement are best served when an inventor is issued a patent with the scope of protection that is deserved. The rules as adopted serve to remind individuals associated with the preparation and prosecution of patent applications of their duty of candor and good faith in their dealings with the Office, and will aid the Office in receiving, in a timely manner, the information it needs to carry out effective and efficient examination of patent applications.

The amendment to 37 CFR 1.56 was proposed to address criticism concerning a perceived lack of certainty in the materiality standard. The rule as promulgated will provide greater clarity and hopefully minimize the burden of litigation on the question of inequitable conduct before the Office, while providing the Office with the information necessary for effective and efficient examination of patent applications. 37 CFR 1.56 has been amended to present a clearer and more objective definition of what information the Office considers material to patentability. The rules do not define fraud or inequitable conduct which have elements both of materiality and intent.

The definition of materiality in 37 CFR 1.56 does not impose substantial new burdens on applicants, but is intended to provide the Office with the information it needs to make a proper and independent determination on patentability. It is the patent examiner who should make the determination after considering all the facts involved in the particular case.

37 CFR 1.56 states that each individual associated with the filing and prosecution of a patent application

has a duty to disclose all information known to that individual to be material to patentability as defined in the section. Thus, the duty applies to contemporaneously or presently known information. The fact that information was known years ago does not mean that it was recognized that the information is material to the present application.

The term "information" as used in 37 CFR 1.56 means all of the kinds of information required to be disclosed and includes any information which is "material to patentability." Materiality is defined in 37 CFR 1.56(b) and discussed herein at MPEP § 2001.05. In addition to prior art such as patents and publications, 37 CFR 1.56 includes, for example, information on possible prior public uses, sales, offers to sell, derived knowledge, prior invention by another inventorship conflicts, and the like.

The term "information" is intended to be all encompassing, similar to the scope of the term as discussed with respect to 37 CFR 1.291(a) (*see* MPEP § 1901.02). 37 CFR 1.56(a) also states: "The Office encourages applicants to carefully examine: (1) prior art cited in search reports of a foreign patent office in a counterpart application, and (2) the closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office." The sentence does not create any new duty for applicants, but is placed in the text of the rule as helpful guidance to individuals who file and prosecute patent applications.

It should be noted that the rules are *not* intended to require information *favorable* to patentability such as, for example, evidence of commercial success of the invention. Similarly, the rules are not intended to require, for example, disclosure of information concerning the level of skill in the art for purposes of determining obviousness.

37 CFR 1.56(a) states that the duty to disclose information exists until the application becomes abandoned. The duty to disclose information, however, does not end when an application becomes allowed but extends until a patent is granted on that application. The rules provide for information being considered after a notice of allowance is mailed and before the issue fee is paid (37 CFR 1.97(d)) and for an application to be withdrawn from issue because one or more claims are unpatentable (37 CFR 1.313(b)(3)) or for an application to be withdrawn from issue and abandoned so that information may be considered in a continuing application before a patent issues (37 CFR 1.313(b)(5)).

37 CFR 1.56 provides that the duty of disclosure can be met by submitting information to the Office in the manner prescribed by 37 CFR 1.96 and 1.98. 37 CFR 1.97 and 1.98 have been amended effective March 16, 1997 so that information will be submitted to the Office in the manner and at the time which will facilitate consideration by the examiner. Applicants are provided certainty as to when information will be considered, and applicants will be informed when information is not considered. The Office does not believe that courts should, or will, find violations of the duty of disclosure because of unintentional noncompliance with 37 CFR 1.97 and 1.98. If the

noncompliance is intentional, however, the applicant will have assumed the risk that the failure to submit the information in a manner that will result in its being considered by the examiner may be held to be a violation.

The Office does not anticipate any significant change in the quantity of information cited to the Office. Presumably, applicants will continue to submit information for consideration by the Office in applications rather than making and relying on their own determinations of materiality. An incentive remains to submit the information to the Office because is will result in a strengthened patent and will avoid later questions of materiality and intent to deceive. In addition, the new rules will actually facilitate the filing of information since the burden of submitting information to the Office has been reduced by eliminating, in most cases, the requirement for a concise statement of the relevance of each item of information listed in an information disclosure statement. It should also be noted that 37 CFR 1.97(h) states that the filing of an information disclosure statement shall not be considered to be an admission that the information cited in the statement is, or is considered to be, material to patentability as defined in 37 CFR 1.56.

2010 Office Handling of Duty of Disclosure/Inequitable Conduct Issues

Determination of inequitable conduct issues requires an evaluation of the intent of the party involved. While

some court decisions have held that intent may be inferred in some circumstances, consideration of the good faith of the party, or lack thereof, is often required. In several court decisions, a high level of proof of intent to mislead the Office was required in order to prove inequitable conduct under 37 CFR 1.56. *See In re Harito,* 847 F.2d 801, 6 USPQ2d 1930 (Fed. Cir. 1988) and *FMC Corp. v. Manitowoc Co.,* 835 F.2d 1411, 5 USPQ2d 1112 (Fed. Cir. 1987). The Office is not the best forum in which to determine whether there was an "intent to mislead"; such intent is best determined when the trier of facts can observe demeanor of witnesses subjected to cross-examination. A court, with subpoena power, is presently the best forum to consider duty of disclosure issues under the present evidentiary standard for finding an "intent to mislead." The court proceeding involves two participating adverse parties. This is not the case in the Office, since even "protesting" parties are not permitted to participate under the rules. Also, it is the courts and not the Office that are in the best position to fashion an equitable remedy to fit the precise facts in those cases where inequitable conduct is established. Furthermore, inequitable conduct is not set by statute as a criteria for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative body. Because of the lack of tools in the Office to deal with this issue and because of its sensitive nature and potential impact on a patent, Office determinations generally will not deter subsequent litigation of the same issue in the courts on appeal or in separate litigation. Office determinations would significantly add to the expense and time involved

in obtaining a patent with little or no benefit to the patent owner or any other parties with an interest.

Accordingly, the Office does not investigate and reject original or reissue applications under 37 CFR 1.56. Likewise, the Office will not comment upon duty of disclosure issues which are brought to the attention of the Office in original or reissue applications except to note in the application, in appropriate circumstances, that such issues are no longer considered by the Office during its examination of patent applications. Examination of lack of deceptive intent in reissue applications will continue but without any investigation of inequitable conduct issues. Applicant's statement of lack of deceptive intent normally will be accepted as dispositive except in special circumstances such as an admission or judicial determination of fraud or inequitable conduct. *See* MPEP § 2022.05.

APPENDIX 6

Combination Of Bettoli Patent And Giles Patent